EFG – Hermes Holding Company
(Egyptian Joint Stock Company)

Consolidated financial statements
for the period ended 31 March 2013
&
Review Report

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KPMG

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Review Report
To the Board of Directors of the EFG - Hermes Holding Company

Introduction

We have performed a limited review for the accompanying consolidated statement of financial position of EFG – Hermes Holding Company and its subsidiaries as at 31 March 2013 and the related consolidated statements of income, changes in equity and cash flows for the three months then ended, and a summary of significant accounting policies and other explanatory notes. The company's management is responsible for the preparation and fair presentation of these interim financial statements in accordance with Egyptian Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Limited Review

We conducted our limited review in accordance with Egyptian Standard on Review Engagements 2410, "Limited Review of Interim Financial Statements Performed by the Independent Auditor of the Entity." A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters in the Company, and applying analytical and other limited review procedures. A limited review is substantially less in scope than an audit conducted in accordance with Egyptian Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on these interim financial statements.

Conclusion

Based on our limited review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of the Company as at 31 March 2013, and of its consolidated financial performance and its consolidated cash flows for the three months then ended in accordance with Egyptian Accounting Standards.

KPMG

Hazem Hassan

Explanatory Note

Without qualifying our opinion:

- The company's General Ordinary Assembly meeting has not been held yet to approve the financial statements for the year ended 31 December, 2012.
- We draw attention to note No. (32) to the financial statements. On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and published in the Official Gazette on that date. Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions. Due to the lack of emphatic information to the management on the enforcement date of such resolutions or the date of cancellation ,the management hereby did not affect the tax bases, the related assets and liabilities, the results of operations during the period. These amounts and results may differ when reliable information become available on the enforcement of such resolutions and the effective date therefore.

Hassan Bas

KPMG Hazem Hassan

Cairo, May 21, 2013

KPMG Hazem Hassan
Public Accountants and Consultants
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EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of financial position
as at 31 March 2013

	Note no.	31/3/2013 LE	31/12/2012 LE
Assets			
Cash and due from banks	(5)	15 737 024 020	13 481 980 783
Investments at fair value through profit and loss	(6)	860 883 103	633 227 335
Accounts receivables (net)	(7)	993 573 091	84 820 830
Assets classified as held for sale	(4-1)	-	3 346 987 421
Loans and advances	(8)	16 513 712 480	14 285 075 365
Available -for- sale investments	(9)	1 567 757 670	1 400 401 325
Held-to-maturity investments	(10)	21 870 028 541	20 604 633 793
Investments in associates	(11)	80 157 350	72 500 400
Investment property	(12)	340 712 005	132 062 511
Fixed assets (net)	(13)	1 307 597 715	1 153 170 000
Goodwill and other intangible assets	(14)	4 532 105 992	3 607 068 559
Other assets	(15)	1 285 348 146	694 102 912
Total assets		**65 088 900 113**	**59 496 031 234**
Liabilities			
Due to banks and financial institutions	(16)	895 719 592	559 230 000
Customers' deposits	(17)	48 438 687 384	44 191 048 838
Accounts payables - customers' credit balances		862 222 575	2 486 650
Liabilities classified as held for sale	(4-2)	-	953 163 490
Bonds	(18)	521 571 050	506 028 600
Creditors and other credit balances	(19)	1 708 030 643	1 465 720 186
Current tax liability		96 750 180	68 280 980
Other provisions	(21)	407 123 871	338 830 990
Total liabilities		**52 930 105 295**	**48 084 789 734**
Shareholders' equity			
Share capital	(22)	2 391 473 750	2 391 473 750
Legal reserve		990 432 067	961 257 586
Share premium		3 294 067 512	3 294 067 512
Other reserves		1 040 689 800	600 494 783
Retained earnings		1 471 652 475	1 439 922 052
		9 188 315 604	8 687 215 683
Treasury shares	(22-1)	(6 918 613)	(6 918 613)
Shareholders' equity		9 181 396 991	8 680 297 070
Net profit for the period / year		40 968 117	59 577 880
Shareholders' equity including net profit for the period / year		9 222 365 108	8 739 874 950
Non - controlling interests	(23)	2 936 429 710	2 671 366 550
Total shareholders' equity		**12 158 794 818**	**11 411 241 500**
Total shareholders' equity and liabilities		**65 088 900 113**	**59 496 031 234**

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

Review Report "attached"

Mona Zulficar	Yasser El Mallawany	Hassan Heikal
Chairperson	Executive Managing Director	Executive Managing Director

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated income statement

for the period ended 31 March, 2013

	Note no.	For the period ended 31/3/2013 LE	For the period ended 31/3/2012 LE
Fee and commission income		270 516 744	259 042 795
Fee and commission expense		(93 645 000)	(90 484 000)
Net fee and commission income		176 871 744	168 558 795
Securities gains		13 292 635	22 092 082
Gains from selling of Investment Property		-	8 886 173
Share of profit of associate	(11)	1 539 000	1 560 000
Changes in the investments at fair value through profit and loss		13 724 946	29 752 865
Foreign currencies differences		62 944 877	3 390 587
Other income	(20)	11 468 706	9 343 592
Noninterest revenue		279 841 908	243 584 094
Interest and dividend income		737 462 103	606 388 854
Interest expense		(499 550 867)	(419 193 284)
Net interest income		237 911 236	187 195 570
Total net revenue		517 753 144	430 779 664
General administrative expenses	(29)	356 112 851	299 834 762
Net losses on loans and advances	(8)	7 884 000	7 440 000
Other provisions	(21)	13 979 969	6 438 976
Depreciation and amortization	(13),(14)	23 648 897	24 047 112
Impairment loss on assets	(26)	177 722	-
Total noninterest expenses		401 803 439	337 760 850
Net profit before income tax		115 949 705	93 018 814
Income tax expense	(27)	(17 910 928)	(16 002 192)
Net profit for the period		98 038 777	77 016 622
Equity holders of the parent		40 968 117	34 909 878
Non - controlling interests	(23)	57 070 660	42 106 744
		98 038 777	77 016 622
Earnings per share	(30)	0.09	0.07

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company

(Egyptian Joint Stock Company)

Consolidated statement of changes in equity

for the period ended 31 March, 2013

	Share capital	Legal reserve	Share premium	Other reserves: General reserve	Special reserve	Translation reserve	Fair value reserve	Hedging reserve	Cumulative adjustments	Other reserves	Retained earnings	Treasury shares	Net profit for the year / period	Non - controlling interests	Total
	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE	LE
Balance as at 31 December, 2011 (before adjustment)	2 391 473 750	956 785 000	3 294 067 512	373 146	41 600 000	185 268 724	(345 715 394)	(26 442 387)	(22 879 686)	135 834 240	1 463 890 665	(6 918 613)	132 579 926	2 440 146 891	10 640 063 774
Prior years adjustment	-	-	-	-	-	-	-	-	-	-	-	-	(12 588 237)	-	(12 588 237)
Balance as at 31 December, 2011 (amended)	2 391 473 750	956 785 000	3 294 067 512	373 146	41 600 000	185 268 724	(345 715 394)	(26 442 387)	(22 879 686)	135 834 240	1 463 890 665	(6 918 613)	119 991 689	2 440 146 891	10 627 475 537
Foreign currencies translation differences	-	-	-	-	-	(39 960)	-	-	-	-	-	-	-	-	(39 960)
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	204 778 580	-	-	-	-	-	-	-	204 778 580
Other reserves	-	-	-	-	-	-	-	-	-	(1 473 616)	-	-	-	-	(1 473 616)
Cumulative adjustments	-	-	-	-	-	-	-	-	(1 652 508)	-	-	-	-	-	(1 652 508)
2011 dividends payout	-	4 472 586	-	-	-	-	-	-	-	-	112 488 469	-	(119 991 689)	-	(3 030 634)
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	10 313 495	10 313 495
Net profit for the period ended 31 March, 2012	-	-	-	-	-	-	-	-	-	-	-	-	34 909 878	42 106 744	77 016 622
Balance as at 31 March, 2012	2 391 473 750	961 257 586	3 294 067 512	373 146	41 600 000	185 228 764	(140 936 814)	(26 442 387)	(24 532 194)	134 360 624	1 576 379 134	(6 918 613)	34 909 878	2 492 567 130	10 913 387 516
Balance as at 31 December, 2012	2 391 473 750	961 257 586	3 294 067 512	373 146	41 600 000	390 548 634	(11 726 929)	(26 442 387)	(12 426 631)	218 568 950	1 439 922 052	(6 918 613)	59 577 880	2 671 366 550	11 411 241 500
Foreign currencies translation differences	-	-	-	-	-	371 437 686	-	-	-	-	-	-	-	-	371 437 686
Net changes in the fair value of available -for-sale investments	-	-	-	-	-	-	76 202 836	-	-	-	-	-	-	-	76 202 836
Other reserves	-	-	-	-	-	-	-	-	-	4 990	-	-	-	-	4 990
Cumulative adjustments	-	-	-	-	-	-	-	-	(7 450 495)	-	-	-	-	-	(7 450 495)
2012 dividends payout	-	29 174 481	-	-	-	-	-	-	-	-	31 730 423	-	(59 577 880)	-	1 327 024
Change in non - controlling interests	-	-	-	-	-	-	-	-	-	-	-	-	-	207 992 500	207 992 500
Net profit for the period ended 31 March, 2013	-	-	-	-	-	-	-	-	-	-	-	-	40 968 117	57 070 660	98 038 777
Balance as at 31 March, 2013	2 391 473 750	990 432 067	3 294 067 512	373 146	41 600 000	761 986 320	64 475 907	(26 442 387)	(19 877 126)	218 573 940	1 471 652 475	(6 918 613)	40 968 117	2 936 429 710	12 158 794 818

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

EFG - Hermes Holding Company
(Egyptian Joint Stock Company)
Consolidated statement of cash flows
for the period ended 31 March, 2013

	For the period ended 31/3/2013 LE	For the period ended 31/3/2012 LE
Cash flows from operating activities		
Net profit before income tax	115 949 705	93 018 814
Adjustments to reconcile net profit to net cash provided by operating activities		
Depreciation and amortization	23 648 897	24 047 112
Povisions formed	21 977 010	14 131 253
Provisions used	(6 282 872)	(1 871 732)
Provisions reversed	(3 127 500)	(4 704 000)
(Gains) losses on sale of fixed assets	(4 652)	158 301
Gains on sale of available -for- sale investments	(13 187)	(2 486 578)
Gains on sale of unquoted assets ready for sale	-	(1 391 482)
Gains on sale of investment property	-	(8 886 173)
Changes in the fair value of investments at fair value through profit and loss	(13 724 935)	(29 752 865)
Impairment loss on assets	181 574	-
Foreign currency translation differences	615 533 163	783 966
Interest expense	(36 494 084)	-
Currency differences gains	(58 837 032)	(2 710 587)
Operating profit before changes in working capital	658 806 087	80 336 029
Purchasing of treasury bills	-	(48 131 785)
Decrease in other assets	80 585 332	137 702 004
Increase (decrease) in creditors and other credit balances	23 115 800	(87 287 405)
Change in loans and advances	(1 044 912 050)	(442 736 000)
Change in customers' deposits	579 849 838	783 378 456
Increase in accounts receivables	(344 755 373)	(212 438 865)
Increase in accounts payables	107 642 466	211 897 315
Increase in investments at fair value through profit and loss	(2 817 632)	(116 040 710)
Change in financial assets (over 3 months)	(362 603 150)	(417 364 000)
Income tax paid	(24 828 900)	(12 572 000)
Net cash used in operating activities	(329 917 582)	(123 256 961)
Cash flows from investing activities		
Payments to purchase fixed assets	(35 725 239)	(31 064 811)
Proceeds from sale of fixed assets	78 065	2 978 098
Proceeds from projects under construction	-	65 332
Proceeds from sale of available -for- sale investments	26 874	81 044 321
Payments to purchase available -for- sale investments	(18 251 852)	(468 311)
Payments to purchase investments in subsidiaries and associates	(1 615 250)	(1 730 222)
Proceeds from sale of investment property	-	81 242 638
Payments to purchase held to maturity investments	-	(147 536 000)
Proceeds from sale of held to maturity investments	445 900 000	-
Increase in long term lending	(8 290 815)	(141 505)
Proceeds from / payments to companies' share in Settlement Guarantee Fund	774 219	(2 264 649)
Proceeds from sale of non -current assets held for sale	9 100	-
Net cash provided from (used in) investing activities	382 905 102	(17 875 109)
Cash flows from financing activities		
Increase in bank overdraft	-	25 153 700
Paid dividends	(13 222 371)	-
Payments to long term loans	-	(49 998 686)
Change in non-controlling interests	13 650	212 000
Net cash used in financing activities	(13 208 721)	(24 632 986)
Net change in cash and cash equivalents during the period	39 778 799	(165 765 056)
Cash and cash equivalents at the beginning of the period (note no. 28)	8 040 777 189	7 065 599 860
Cash and cash equivalents at the end of the period (note no. 28)	8 080 555 988	6 899 834 804

The accompanying notes from page (5) to page (43) are an integral part of these financial statements and are to be read therewith.

EFG- Hermes Holding Company
(Egyptian Joint Stock Company)
Notes to the consolidated financial statements
for the period ended 31 March 2013

1- Description of business

1-1 Legal status

- EFG - Hermes Holding Company -Egyptian Joint Stock Company- was founded in pursuance of decree No. 106 of 1984.
- The company's extraordinary general meeting held on July 22, 1997 resolved to adjust the company's status and convert it in pursuance to the provisions of law No. 95/1992 and its executive regulation.
- EFG – Hermes is the leading investment bank in the Arab world and market leader in securities brokerage, investment banking, asset management, private equity and research.
- EFG-Hermes Group has been converted from an investment bank to an universal bank through the acquisition of Credit Libanais SAL (the Bank) group.

1-2 Purpose of the company

- The company's purpose is participation in the companies establishment which issue securities or in increasing their share capitals.
- The company's extraordinary meeting held on March 14, 2004 decided to add the Custody Activity to the purpose of the company.
- The company obtained the approval of Capital Market Authority on February 5, 2007 to execute the Marginal Trading Activity.

1-3 Acquisition of the Credit Libanais SAL (the Bank)

- During 2010, EFG-Hermes Holding Company purchased 63.739% a controlling stack in Credit Libanais SAL (the Bank) through its wholly owned subsidiary EFG – Hermes CL Holding SAL for an amount of USD 577.8 million. The company obtained the approval of the Central Bank of Lebanon for the acquisition transaction and the transfer of title had been completed.

The following table summarizes the recognized amounts of assets acquired and liabilities assumed at the acquisition date:

	LE
Total assets	32 750 757 718
Total liabilities	(30 550 046 293)
Net carrying value of assets	2 200 711 425
Increase in carrying value - intangible assets	3 175 551 947
Increase in carrying value - other assets	287 117 311
Fair value of identifiable assets acquired and liabilities assumed	5 663 380 683

The non-controlling interest has been accounted at its proportionate interest in the fair value of the identifiable assets and liabilities at the acquisition date.

- Credit Libanais SAL (the Bank) has subsidiaries, so the consolidated financial statements of the company for the period ended 31 March 2013 include the accounts of Credit Libanais SAL and its subsidiaries and affiliates as detailed below:

Company's name	% of control
Credit Libanais Investment Bank SAL	99.86
Lebanese Islamic Bank SAL	99.84
Credit International SA	92.82
Cedar's Real Estate SAL	99.92
Soft Management SAL	47
Hermes Tourism & Travel SAL	99.99
Crédit Libanais d'Assurances et de Réassurances SAL	66.97
Business Development Center SARL	98.62
Capital Real Estate SAL	98
Credilease SAL	99.26
Collect SAL	44.94

All subsidiaries were incorporated in Lebanon except for Credit International SA, which was incorporated in Senegal.

2- Basis of preparation

2-1 Statement of compliance

These consolidated financial statements have been prepared in accordance with the Egyptian Accounting Standards and relevant Egyptian laws and regulations.

2-2 Basis of measurement

- The consolidated financial statements are prepared on the historical cost basis, except for the following assets and liabilities which are measured as fair value:

- Derivative financial instruments.
- Financial instruments at fair value through profit and loss.
- Available-for-sale financial assets.

- The determination of fair values of financial instruments traded in active markets is based on quoted market prices. For financial instruments where there is no quoted price, fair value is determined by using valuation techniques. Valuation techniques include net present value technique, the discounted cash flow method and comparison to similar instruments for which market observable prices exist.

2-3 Functional and presentation currency

These consolidated financial statements are presented in Egyptian pounds (LE) which is the Company's functional currency.

2-4 Use of estimates and judgments

The preparation of financial statements in conformity with Egyptian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- Note (21) – other provisions.
- Note (24) – contingent liabilities, valuation of financial instruments.
- Note (19-1) – recognition of deferred tax assets and liabilities.

2-5 Financial assets and liabilities

Recognition and derecognition:

The Group initially recognizes loans and advances, deposits, debt securities issued and subordinated liabilities on the date that they are originated. All other financial assets and liabilities are initially recognized on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognizes a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which all the risks and rewards of ownership of the financial asset are transferred.

The Group derecognizes a financial liability when its contractual obligations are discharged, cancelled or expired.

Offsetting

Financial assets and liabilities are set-off and the net amount is presented in the financial position when, and only when, the Group has a legal right to set-off the amounts or intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

3- Significant accounting policies applied

The accounting policies set out below have been applied consistently with those applied in the previous period presented in these consolidated financial statements and applied consistently by Group's entities.

3-1 Basis of consolidation

The consolidated financial statements include the following companies:

3-1-1 Subsidiaries

- The consolidated financial statements include all subsidiaries that are controlled by the parent company and which the management intends to continue to control. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.
- Intragroup balances and transactions, including income, expenses and dividends, are eliminated in full. Profits and losses resulting from intragroup transactions that are recognized in assets, such as inventory and fixed assets, are eliminated in full. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. EAS 24 Income Taxes applies to temporary differences that arise from the elimination of profits and losses resulting from intragroup transactions.
- Non - controlling interests shall be presented in the consolidated balance sheet within equity, separately from the parent shareholder's equity. Non - controlling interests in the profit or loss of the group shall also be separately disclosed.

- A parent loses control when it loses the power to govern the financial and operating policies of an investee so as to obtain benefit from its activities.

3-1-2 Associates

Investments in associates are stated at equity method. Under the equity method the investment in associates is initially recognize at cost and the carrying amount is increased or decreased to recognize the investor's share of the profit or loss of the associates after the date of acquisition. Distributions received from associates reduce the carrying amount of the investment.

Losses of an associate in excess of the Company's interest in that associate (which includes any long-term interests that, in substance, form part of the Company's net investment in the associate) are not recognized, unless the Company has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of the acquisition over the Company's share of the net faire value of the identifiable assets, liabilities and contingent liabilities of the associate recognized at the date of acquisition is recognized as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment.

3-2 Translation of the foreign currencies transactions

The holding company and some of its subsidiaries maintain their books of accounts in Egyptian Pound. Transactions denominated in foreign currencies are recorded at the prevailing exchange rate at the date of transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated at the prevailing exchange rates at that date. The foreign currencies exchange differences arising on the settlement of transactions and the translation at the balance sheet date are recognized in the income statement.

3-3 Translation of the foreign subsidiaries' financials

As at the balance sheet date the assets and liabilities of these consolidated subsidiaries are translated to Egyptian Pound at the prevailing rate as at the year end, and the shareholders' equity accounts are translated at historical rates, where as the income statement items are translated at the average exchange rate prevailing during the year of the consolidated financial statements. Currency translation differences are recorded in the shareholders' equity section of the balance sheet as translation reserves adjustments.

3-4 Derivative financial instruments

The Group uses derivative financial instruments to hedge its exposure to foreign exchange and interest rate risks arising from operational, financial and investment activities. In accordance with its treasury policy, the Group does not hold or issue derivative financial instruments for trading purposes. However, derivatives that do not qualify for hedge accounting are accounted for as trading instruments. Derivatives are recognized initially at fair value; attributable transaction costs are recognized in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

Cash flow hedges

Changes in the fair value of the derivative hedging instrument designated as a cash flow hedge are recognized directly in equity to the extent that the hedge is effective. To the extent that the hedge is ineffective, changes in fair value are recognized in profit or loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognized in equity remains there until the forecast transaction occurs. When the hedged item is a non-financial asset, the amount recognized in equity is transferred to the carrying amount of the asset when it is recognized. In other cases the amount recognized in equity is transferred to profit or loss in the same period that the hedged item affects profit or loss.

Fair value hedges

Changes in the fair value of a derivative hedging instrument designated as a fair value hedge are recognized in profit or loss. The hedged item also is stated at faire value in respect of the risk being hedged, with any gain or loss being recognized in profit or loss.

3-5 Non-current assets held for sale

Non-current assets (or disposal groups comprising assets and liabilities) that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets (or components of a disposal group) are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets (or disposal group) are measured at the lower of their carrying amount and fair value less cost to sell. Any impairment loss on a disposal group first is allocated to goodwill, and then to remaining assets and liabilities on pro rata basis, except that no loss is allocated to inventories, financial assets, deferred tax assets, employee benefit assets, investment property and biological assets, which continue to be measured in accordance with the Group's accounting policies. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognized in profit or loss. Gains are not recognized in excess of any cumulative impairment loss.

3-6 Fixed assets depreciation

Fixed assets are stated at historical cost and presented in the balance sheet net of accumulated depreciation and impairment (Note 3-11). Depreciation is charged to the income statement over the estimated useful-life of each asset using the straight-line method. The following are the estimated useful lives, for each class of assets, for depreciation calculation purposes:

	Estimated useful life
- Buildings	33.3 - 40 years
- Office furniture, equipment & electrical appliances	2-16.67 years
- Computer equipment	3.33 - 5 years
- Transportation means	3.33 - 8 years

Expenditure incurred to replace a component of an item of property and equipment that is accounted for separately, including major inspection and overhaul expenditure, is capitalized. Other subsequent expenditure is capitalized only when it increases the future economic benefits embodied in the property and equipment. All other expenditure is recognized in the income statement as an expense as incurred.

3-7 Projects under construction

Projects under construction are recognized initially at cost. Cost includes all expenditures directly attributable to bringing the asset to a working condition for its intended use. Property and equipment under construction are transferred to property and equipment caption when they are completed and are ready for their intended use.

3-8 Intangible assets

3-8-1 Goodwill

Goodwill (positive and negative) represents amounts arising on acquisition of subsidiaries, associates. Goodwill (positive and negative) represents the difference between the cost of the acquisition and the fair value of the net identifiable assets acquired at acquisition date.

- Positive goodwill is stated at cost less impairment losses (note 3-11).
- While negative goodwill arose from business combinations after applying International Financial Reporting Standards (IFRS3) will be recognized directly in the income statement.
- Goodwill resulting from further acquisitions after control is obtained is determined on the basis of the cost of the additional investment and the carrying amount of net assets at the date of acquisition, accordingly, no fair value adjustments would be recognized.

3-8-2 Other intangible assets

Other intangible assets that are acquired by the Group are stated at cost less accumulated amortization and impairment losses (note 3-11). Amortization is recognized in the income statement on a straight – line basis over the estimated useful lives of intangible assets which have useful lives.

The following are the estimated useful lives, for each class of assets, for amortization calculation purposes:

	Estimated useful life
- Research and development expenses	3 years
- Key money	10 years
- License and franchise	5 years
- Software	3 years

3-8-3 Subsequent expenditure

Subsequent expenditure on capitalized intangible assets is capitalized only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

3-9 Treasury bills

Treasury bills are recorded at nominal value and the unearned income is recorded under the item of "creditors and other credit balances". Treasury bills are presented on the balance sheet net of the unearned income.

3-10 Investments

3-10-1 Investments at fair value through profit and loss

An instrument is classified as at fair value through income statement if it is held for trading or is designated as such upon initial recognition. Financial instruments are designated at fair value through income statement if the Company manages such investments and makes purchase and sale decisions based on their fair value. Upon initial recognition, attributable transaction costs are recognized in income statement when incurred. Financial instruments at fair value through income statement are measured at fair value, and changes therein are recognized in income statement.

3-10-2 Available-for-sale financial investments

Available-for-sale financial assets are valued at fair value, with any resultant gain or loss being recognized in equity, except for impairment losses which is recognized in the income statement. When these investments are derecognized, the cumulative gain or loss previously recognized directly in equity is recognized in the income statement. The fair value of investments available for sale, identifies based on quoted price of the exchange market at the balance sheet date, investments that are not quoted, and whose fair value can not be measured reliably are valued by an accepted valuation techniques including the use of new objective techniques or discounted cash flow analysis or option pricing models or other valuation techniques – if the company can not estimate the fair value, it can be stated at cost less impairment loss.

3-10-3 Held-to-maturity investments

Held-to-maturity investments are bought with the ability and intention to hold until maturity. They are stated in the statement of financial position at their amortized cost, after taking into account any discount or premium on acquisition, less provision for impairment value. Differences between amortized cost and redemption price are prorated over the period of the securities.

3-10-4 Investment property

Investment property is recorded at fair value, any gain or loss arising from a change in the fair value of investment property shall be recognized in profit or loss for the period in which it arises.

3-11 Impairment

3-11-1 Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognized previously in equity is transferred profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized. For financial assets measured at amortized cost and available-for-sale financial assets that are debt securities, the reversal is recognized in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognized directly in equity.

3-11-2 Non-financial assets

The carrying amounts of the Group's non-financial assets, other than investment property, inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment.

An impairment loss is recognized if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognized in profit or loss.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell.

Impairment losses recognized in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortization, if no impairment loss had been recognized.

3-12 Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents includes the balances, whose maturity not exceeding three months from the date of acquisition and the balances included cash on hand, cheques under collection and due from banks and financial institutions.

3-13 Interest-bearing borrowings

Interest-bearing borrowings are recognized initially at fair value less attributable transaction costs. Subsequent to initial recognition, Interest-bearing borrowings are stated at amortized cost with any difference between cost and redemption value being recognized in the income statement over the period of the borrowings on an effective interest basis.

3-14 Other assets

Other assets are recognized at cost less impairment losses (note 3-11).

3-15 Provisions

Provisions are recognized when the group has a legal or constructive obligation as a result of a past event and it's probable that a flow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability. Provisions are reviewed at the balance sheet date and amended (when necessary) to represent the best current estimate.

3-16 Legal reserve

The Company's Statutes provides for deduction of a sum equal to 5% of the annual net profit for formation of the legal reserve. Such deduction will be ceased when the total reserve reaches an amount equal to half of the company's issued capital and when the reserve falls below this limit, it shall be necessary to resume the deduction.

3-17 Share capital

3-17-1 Repurchase of share capital

When share capital recognized as equity is repurchased, the amount of the consideration paid, including directly attributable costs, is recognized as a change in equity.

Repurchased shares are classified as treasury stock and presented as a deduction from total equity.

3-17-2 Dividends

Dividends are recognized as a liability in the year in which they are declared.

3-18 Revenue recognition

3-18-1 Gain (loss) on sale of investments

Gain (loss) resulting from sale of investments are recognized on transaction date and measured by the difference between cost and selling price less selling commission and expenses. In case of derecognizing of investments in associate, the difference between the carrying amount and the sum of both the consideration received and cumulative gain or loss that had been recognized in shareholders' equity shall be recognized in profit or loss.

3-18-2 Dividend income

Dividend income is recognized when declared.

3-18-3 Custody fee

Custody fees are recognized when the service is provided and the invoice is issued.

3-18-4 Interest income and expenses

Interest income and expenses are recognized in the income statement under "Interest income" item or "Interest expenses" by using the effective interest rate of all instruments bearing interest other than those classified held for trading or which have been classified when at inception fair value through profits and losses.

3-18-5 Fee and commission income

Fee related to servicing the loan or facility are recognized within the income when performing the service while the fees and commissions related to non-performing or impaired loans are not recognized, instead, they are to be recorded in marginal records off the balance sheet. Then they are recognized within the income pursuant to the cash basis when the interest income is recognized. As for fees which represent an integral part of the actual return on the financial assets, they are treated as an amendment to the rate of actual return.

3-18-6 Brokerage commission

Brokerage commission resulting from purchase of and sale of securities operations in favor of clients are recorded when operation is implemented and the invoice is issued.

3-18-7 Management fee

Management fee is calculated as determined by the management contract of each investment fund & portfolio and recorded on accrual basis.

3-18-8 Incentive fee

Incentive fee is calculated based on certain percentages of the annual return realized by the fund and portfolio, however these incentive fee will not be recognized until revenue realization conditions are satisfied and there is adequate assurance of collection.

3-19 Long term lending

Long term lending is recognized at cost net of any impairment loss. The group evaluates the loans at the balance sheet date, and in case of impairment in the redeemable value of the loan the loan is reduced by the value of impairment loss which is recognized in income statement.

3-20 Expenses

3-20-1 Employees' pension

The Company contributes to the government social insurance system for the benefit of its personnel in accordance with the social insurance law. Under this law, the employees and the employers contribute into the system on a fixed percentage-of-salaries basis. The Company's liability is confined to the amount of its contribution. Contributions are charged to income statement using the accrual basis of accounting.

3-20-2 Taxation

Income tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognized in the income statement except to the extent that it relates to items recognized directly in equity, in which case it is recognized in equity.

Taxation is provided for in accordance with the fiscal regulations of the respective countries in which the Company and its subsidiaries operate.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided using the balance sheet liability method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the balance sheet date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. Deferred tax assets are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

3-21 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period.

3-22 Profit sharing to employees

The holding company pays 10% of its cash dividends as profit sharing to its employees provided that it will not exceed total employees annual salaries. Profit sharing is recognized as a dividend distribution through equity and as a liability when approved by the Company's shareholders.

3-23 Loans and advances to customers and related provision

Loans and advances to customers are stated at principal together with interest earned at the statement of financial position date, and after deduction of

unrealized interest and provisions on sub-standard, doubtful and bad debts. These provisions are reviewed periodically by the management of the Bank, using criteria that are consistent with those of the preceding year. Specific provision for credit losses is determined by assessing each case individually.
Provisions for doubtful and bad debts are set up to cover any possible losses in principal and interest in the existing portfolio of loans and advances to customers and contingent accounts.
The level of provision to be constituted is based on the difference between the book value and the present value of the expected future cash flows after taking into consideration the realizable value of the guarantees provided. This provision charge is accounted in the statement of income. No general provisions are requested on the loan portfolio apart from the "Reserve for general banking risks".
Provisions on doubtful accounts are written back to income only when the debt is restructured or repayment effectively resumed. Provision charges and provisions written back are recorded under "Net losses on loans and advances", in the statement of income.

Doubtful and bad loans and advances are written-off from the statement of financial position and are recorded as memorandum accounts when all possible means of collection recourses have been exhausted, and the possibility if any future recovery is considered to be remote.

3-24 Unrealized interest on sub-standard, doubtful and bad debts

Interest on non performing loans and advances are only recognized in the statement of income upon realization. Interest receivable from sub-standard, doubtful and bad loans is reserved and deducted directly from the loan accounts at the year-end.

Interests are transferred to the "unrealized interest" account for every loan considered by the management as doubtful in the short run and transferred to the "non ordinary loans" account in accordance with the Lebanon Central Bank Circular N° 58.

3-25 Assets acquired in satisfaction of loans (unquoted assets ready for sale)

Real estate property acquired through the enforcement of security over loans and advances to customers is measured at cost less any accumulated impairment losses. The acquisition of such assets is regulated by the Lebanon Banking Authorities which require the liquidation of these assets within 2 years from acquisition. In case of default of liquidation the Group's lead regulator requires an appropriation from the yearly net income to a special reserve that is reflected under equity. This reserve can neither be distributed nor considered as an equity component while calculating the ratios set according to applicable laws, regulations and decisions.

3-26 Due from banks and other financial institutions

These are stated at cost less any amounts written off and provision for impairment where necessary.

3-27 Customers' deposits

All money market and customer deposits are carried at cost including interest, less amounts repaid.

3-28 Fiduciary assets

Assets held in trust or in a fiduciary capacity are not treated as assets of the group and accordingly did not recorded in the balance sheet.

3-29 Reserves for general banking risks

In compliance with the Lebanon Central Bank regulations and effective year 1996, Lebanese banks should appropriate from net profit for the year a minimum of 0.2% and a maximum of 0.3% from the total risk weighted assets and off balance sheet items based on rates specified by the Central Bank of Lebanon for any unspecified risks. The consolidated ratio should not be less than 1.25% of these risks at the end of the tenth financial year and 2% at the end of the twentieth financial year.

This reserve is not available for distribution, and is constituted in Lebanese weighted assets and off balance sheet items.

3-30 Allowances for credit losses

Specific impairment for credit losses is determined by assessing each case individually. This method applies to classified loans and advances and the factors taken into consideration when estimating the allowance for credit losses including the counterparty's credit limit, the counterparty's ability to generate cash flows sufficient to settle his advances and the value of collateral and potential repossession.

3-31 Segment reporting

A segment is a distinguishable component of the group that is engaged either in providing products or services (business segment) or in providing products or services within a particular economic environment (geographical segment), which is subjected to risks and rewards that are different from those of other segments. The group's primary format for segment reporting is based on business segment.

3-32 Discontinued operations

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative income statement is re-presented as if the operation had been discontinued from the start of the comparative period.

4- Discontinued operation

- **Strategic alliance with QInvest L.L.C.**

  EFG Hermes Holding Company's Extraordinary General Assembly - the parent company- agreed at the meetings dated June 2, 2012 and September 16,2012 to enter into a strategic alliance with QInvest through its subsidiary EFG Hermes Qatar LLC which will be 60% owned by QInvest and 40% owned by EFG Hermes Holding. The agreement involves the moving of the following business lines, Brokerage, Research, Asset Management, Investment Banking and the Infrastructure Fund businesses to EFG Hermes Qatar LLC.

- On May 1, 2013 EFG Hermes Holding Company and QInvest, announced that the long-stop date for the satisfaction of the conditions precedent for their joint venture agreement to proceed had been reached without receiving the necessary regulatory approvals from the Egyptian Financial Supervisory Authority (EFSA). As a result of the long-stop date being reached, the joint venture agreement will automatically terminate.

4-1 Assets classified as held for sale

	31/3/2013 LE	31/12/2012 LE
Cash and due from banks	--	989 535 669
Investments at fair value through profit and loss	--	271 103 128
Accounts receivables (net)	--	545 705 549
Available -for- sale investments	--	42 609 363
Investment property	--	193 913 067
Fixed assets (net)	--	72 923 390
Goodwill and other intangible assets	--	646 120 259
Other assets	--	585 076 996
Balance	--	3 346 987 421

4-2 Liabilities classified as held for sale

	31/3/2013 LE	31/12/2012 LE
Due to banks and financial institutions	--	20 283 764
Accounts payables - customers' credit balances	--	699 431 731
Creditors and other credit balances	--	156 778 342
Current tax liability	--	27 042 993
Other provisions	--	49 626 660
Balance	--	953 163 490

5- Cash and due from banks

	31/3/2013 LE	31/12/2012 LE
Cash on hand	311 032 113	238 630 983
Central Bank of Lebanon *		
- Demand deposits	937 154 400	992 329 800
- Time deposits	7 286 865 950	6 524 044 800
Other Central Banks		
- Demand deposits	455 118 300	284 541 600
- Time deposits	88 725 000	--
Cheques under collection	2 292 548	--
Banks - current accounts (net)	980 154 230	88 795 696
Banks - demand deposits	607 073 852	702 274 516
Banks - time deposits	5 031 652 527	4 584 335 588
Accrued interest	36 955 100	67 027 800
Balance	15 737 024 020	13 481 980 783

* Current accounts with Central Bank of Lebanon include non-interest earning cash compulsory reserves in Lebanese Pounds computed on the basis of 25% and 15% of the average weekly sight and term customers' deposits in Lebanese Pounds in accordance with Lebanon banking regulations.

6- Investments at fair value through profit and loss

	31/3/2013 LE	31/12/2012 LE
Mutual Fund certificates	518 084 458	413 959 391
Equity securities	17 506 349	18 064 095
Debt securities	168 076 146	120 517 649
Lebanese treasury bills	157 216 150	80 686 200
Balance	860 883 103	633 227 335

7- Accounts receivables

	31/3/2013 LE	31/12/2012 LE
Accounts receivables (net)	680 701 507	84 825 375
Other brokerage companies (net)	312 871 584	(4 545)
Balance	993 573 091	84 820 830

8- Loans and advances

		31/3/2013 LE	31/12/2012 LE
Loans and advances to customers	(8-1)	16 267 304 368	14 028 029 017
Loans and advances to related parties	(8-2)	147 424 550	166 353 600
Other loans		98 983 562	90 692 748
Balance		16 513 712 480	14 285 075 365

8-1 Loans and advances to customers

	31/3/2013				31/12/2012
	Gross amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Regular retail customers					
Cash collateral	522 526 550	--	--	522 526 550	477 838 200
Mortgage loans	5 128 470 175	--	--	5 128 470 175	5 133 424 377
Personal loans	1 067 875 900	--	--	1 067 875 900	1 602 153 000
Credit cards	174 151 250	--	--	174 151 250	172 481 400
Others	1 018 253 600	--	--	1 018 253 600	99 531 600
Regular corporate customers					
Corporate	6 275 580 241	--	--	6 275 580 241	4 732 676 303
Classified retail customers					
Watch	374 923 630	--	--	374 923 630	297 861 468
Substandard	124 114 900	(35 221 550)	--	88 893 350	62 697 600
Doubtful	252 356 650	(118 472 900)	(85 753 850)	48 129 900	49 295 400
Bad	48 744 150	(29 124 550)	(19 619 600)	--	--

	31/3/2013				31/12/2012
	Gross amount LE	Unrealized Interest LE	Impairment Allowance LE	Carrying Amount LE	Carrying amount LE
Classified corporate customers					
Watch	1 503 867 022	--	--	1 503 867 022	1 327 867 469
Substandard	17 130 750	(3 858 400)	--	13 272 350	26 896 800
Doubtful	277 641 000	(91 491 400)	(110 205 550)	75 944 050	74 197 200
Bad	50 828 050	(34 898 500)	(15 929 550)	--	--
Collective provision for retail loans	--	--	(30 548 700)	(30 548 700)	(28 198 800)
Collective provision for corporate loans	--	--	(47 970 650)	(47 970 650)	(44 280 600)
Accrued interest receivable	53 935 700	--	--	53 935 700	43 587 600
Balance	16 890 399 568	(313 067 300)	(310 027 900)	16 267 304 368	14 028 029 017

8-2 Loans and advances to related parties

	31/3/2013 LE	31/12/2012 LE
Regular Retail loans	8 299 200	1 180 200
Regular Corporate loans	139 125 350	165 173 400
Balance	147 424 550	166 353 600

9- Available - for- sale investments

	31/3/2013 LE	31/12/2012 LE
Preferred shares	125 921 250	103 147 800
Equity securities	602 410 269	563 352 448
Mutual fund certificates	829 757 401	726 941 677
Accrued interest receivable	9 668 750	6 959 400
Balance	1 567 757 670	1 400 401 325

10- Held-to-maturity investments

	31/3/2013 LE	31/12/2012 LE
Lebanese government treasury bills and Eurobonds	15 170 065 881	14 420 404 321
Other sovereign bonds	41 182 050	39 824 400
Certificates of deposit issued by banks	5 993 095 128	5 591 717 097
Other debt instruments	272 629 182	220 173 975
Accrued interest receivable	393 056 300	332 514 000
Balance	21 870 028 541	20 604 633 793

11- Investments in associates

	2013 Ownership %	2012 Ownership %	31/3/2013 LE	31/12/2012 LE
Agence Générale de Courtage d'Assurance SAL	25.86	25.86	34 311 550	31 050 600
Credit Card Management SAL	28.96	28.96	11 461 450	9 949 800
International Payment Network SAL	20.18	20.18	7 566 650	6 753 600
Net Commerce SAL	19.10	19.10	1 169 350	1 071 000
Liberty Executive Center SAL	6.27	6.27	54 600	50 400
Hot Spot Properties SAL	32.23	32.23	9 213 750	8 505 000
Dourrat Loubnan Al Iqaria SAL	30.14	30.14	16 380 000	15 120 000
Balance			80 157 350	72 500 400

12- Investment property

Investment property amounted LE 340 712 005 as at 31 March, 2013 , represents the following:

- LE 132 062 511 represents the fair value of the area owned by EFG – Hermes Holding Company in Nile City Building
- LE 57 337 600 represents the fair value of the area owned by EFG – Hermes Holding Company in the Index Tower – UAE.
- LE 151 311 894 represents the fair value of the area owned by EFG – Hermes UAE Limited, one of the subsidiaries, in the Index Tower – UAE.

13- Fixed assets

Particular	Land & Buildings LE	Leasehold Improvements LE	Office furniture, equipment & electrical Appliances LE	Computer Equipment LE	Vehicles LE	* Projects Under Construction LE	Total LE
Balance as at 1/1/2013	891 349 144	210 586 656	235 002 182	44 351 142	16 085 368	194 325 600	1 591 700 092
Transferred from assets held for sale	49 050 606	13 538 761	99 621 373	38 508 054	4 044 394	9 784 500	214 547 688
Additions	--	316 453	2 824 532	246 254	50 050	27 031 550	30 468 839
Disposals	--	--	(339 668)	(21 670)	--	--	(361 338)
Reclassification of assets	--	13 650	136 500	--	--	(150 150)	--
Foreign currency translation differences	48 644 929	17 297 911	22 862 368	2 263 515	826 429	16 193 800	108 088 952
Total cost as at 31/3/2013	989 044 679	241 753 431	360 107 287	85 347 295	21 006 241	247 185 300	1 944 444 233
Accumulated depreciation as at 1/1/2013	103 546 492	150 602 255	140 977 353	31 847 456	11 556 536	--	438 530 092
Transferred from assets held for sale	17 034 591	8 192 213	76 871 333	36 014 405	3 511 756	--	141 624 298
Depreciation	6 262 370	4 169 408	8 670 261	1 719 749	446 082	--	21 267 870
Disposals' accumulated depreciation	--	--	(271 639)	(16 287)	--	--	(287 926)
Foreign currency translation differences	5 773 837	12 337 311	14 911 100	2 186 094	503 842	--	35 712 184
Accumulated depreciation as at 31/3/2013	132 617 290	175 301 187	241 158 408	71 751 417	16 018 216	--	636 846 518
Carrying amount as at 31/3/2013	856 427 389	66 452 244	118 948 879	13 595 878	4 988 025	247 185 300	1 307 597 715
Carrying amount as at 31/12/2012-continued operation	787 802 652	59 984 401	94 024 829	12 503 686	4 528 832	194 325 600	1 153 170 000
Carrying amount as at 31/12/2012-discontinued operation. note no. (4-1)	32 016 015	5 346 548	22 750 040	2 493 649	532 638	9 784 500	72 923 390

* Projects under construction are represented in the following :

	31/3/2013 LE	31/12/2012 LE
Office spaces in Egypt	9 784 500	--
Preparation of new headquarters – Credit Libanais SAL "the Bank" - Lebanon	237 400 800	194 325 600
Balance	247 185 300	194 325 600

14- Goodwill and other intangible assets

		31/3/2013 LE	31/12/2012 LE
Goodwill	(14-1)	707 539 161	65 083 756
Other intangible assets	(14-2)	3 824 566 831	3 541 984 803
Balance		4 532 105 992	3 607 068 559

14-1 Goodwill is relating to the acquisition of the following subsidiaries:

	31/3/2013 LE	31/12/2012 LE
Flemming CIIC group (S.A.E) – Egypt	63 483 756	63 483 756
EFG- Hermes Oman LLC	66 039 857	--
EFG- Hermes IFA Financial Brokerage Company (KSC) – Kuwait	567 776 330	--
IDEAVELOPERS – Egypt	1 600 000	1 600 000
EFG- Hermes Jordan	8 639 218	--
Balance	707 539 161	65 083 756

14-2 Other intangible assets are represented in the following :

	31/3/2013 LE	31/12/2012 LE
Branches network - Credit Libanais Bank	3 795 057 658	3 521 084 100
Key Money	1 310 400	1 251 600
Licenses & Franchise	8 901 653	3 334 800
Software	19 297 120	16 314 303
Balance	3 824 566 831	3 541 984 803

15- Other assets

		31/3/2013 LE	31/12/2012 LE
Deposits with others	(15-1)	30 888 507	26 486 689
Downpayments to suppliers		9 083 663	89 280
Prepaid expenses		155 051 190	190 882 289
Employees' advances		11 640 064	3 950 161
Accrued revenues		46 521 606	17 014 831
Taxes withheld by others		55 461 764	51 533 359
Payments for investments	(15-2)	7 454 500	8 454 500
Re-insurers' share of technical reserve		75 393 500	69 875 400
Receivables - sale of investments		79 789 155	--
Infra Egypt fund		3 582 521	--
Settlement Guarantee Fund		27 588 185	211 287
Unquoted assets - Ready for sale acquired in satisfaction of loans		204 263 150	188 559 000
Due from EFG- Hermes Employee Trust		342 648 546	--
Due from Ara inc. company		311 714	--
Due from related parties		56 283 500	21 789 600
Re-insurance accrued commission		16 334 500	15 078 000
Cards transaction on ATM		3 603 600	1 638 000
Re-insurance debtors		81 900	1 050 000
Sundry debtors		159 366 581	97 490 516
Balance		1 285 348 146	694 102 912

15-1 Deposits with others include an amount of LE 27 368 250 (equivalent to LBP 6 015 million) represents deposit blocked by Credit Libanais SAL (the Bank) with the Ministry of Finance of Lebanon.

15-2 Payments for investments are represented in the following:

	31/3/2013 LE	31/12/2012 LE
Arab Visual Company	3 749 500	3 749 500
IDEAVELOPERS	25 000	25 000
AAW Company for Infrastructure	3 040 000	3 040 000
International Company for Projects Management	--	1 000 000
EFG –Hermes Direct Fund Management	640 000	640 000
	7 454 500	8 454 500

16- Due to banks and financial institutions

	31/3/2013 LE	31/12/2012 LE
Current deposits of banks	459 770 442	126 327 600
Time deposits	127 636 600	116 457 600
Financial institutions	304 995 600	313 135 200
Accrued interest payable	3 316 950	3 309 600
Balance	895 719 592	559 230 000

17- Customers' deposits

	31/3/2013 LE	31/12/2012 LE
Deposits from customers (private sector):		
Saving accounts	27 866 131 258	25 224 625 500
Term deposits	12 295 014 550	11 804 423 400
Current accounts	4 320 215 476	3 853 067 738
	44 481 361 284	40 882 116 638
Deposits from customers (public sector):		
Saving accounts	222 153 750	224 754 600
Term deposits	1 418 344 200	942 471 600
Current accounts	571 739 350	576 025 800
	2 212 237 300	1 743 252 000
Others	144 849 250	81 488 400
	46 838 447 834	42 706 857 038
Accrued interest payable	235 912 950	225 850 800
	47 074 360 784	42 932 707 838
Deposits from related parties:		
Long term saving accounts	463 199 100	382 548 600
Short term saving accounts	18 200	33 600
Long term deposits	794 134 250	784 950 600
Short term deposits	101 992 800	87 389 400
Accrued interest payable	4 982 250	3 418 800
	1 364 326 600	1 258 341 000
Balance	48 438 687 384	44 191 048 838

18- Bonds

On November 11, 2010 Credit Libanais SAL issued US.$ 75 000 000, 6.75% Subordinated Bonds due January 15, 2018 at an issue price of 100% of their principal amount. The bonds have been fully underwritten. The net proceeds from the sale of Bonds will be used for general corporate purposes, and the obligation of the issuer in respect of the Bonds constitutes direct, unsecured and general obligation of the issuer. The Arranger of the offering is Credit Libanais Investment Bank SAL (an affiliate) and the Bonds will not be listed on any stock exchange. The bonds balance is equivalent to LE 521 571 050 as at March 31, 2013 versus LE 506 028 600 as at December 31,2012.

19- Creditors and other credit balances

		31/3/2013	31/12/2012
		LE	LE
Margins held against documentary credits		81 372 200	82 559 400
Technical reserve for insurance companies		332 709 650	310 191 000
Interbranch reconciling items		13 986 700	--
Revaluation of assets acquired in satisfaction of loans		22 622 600	20 882 400
Social Insurance Association		620 093	219 138
Unearned revenues		12 142 007	6 316 801
Suppliers		153 886 858	197 937 600
Accrued expenses		126 250 699	66 209 113
Clients' coupons- Custody Activity		5 902 748	6 926 836
Due to Industry Modernization Center		5 920 165	5 695 508
Dividends payable		35 421 984	29 871 308
Cards transaction on ATM		46 669 350	19 278 000
Re-insurance creditors		149 899 750	136 260 600
Deferred tax liabilities	(19-1)	615 201 774	576 234 873
QInvest	(4)	56 179 200	--
Sundry creditors		49 244 865	7 137 609
Balance		1 708 030 643	1 465 720 186

19-1 Deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

(A) Deferred tax	**31/3/2013**		**31/12/2012**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	LE	**LE**	**LE**	**LE**
Fixed assets depreciation	--	4 985 828	--	4 762 302
Expected claims provision	1 875 542	--	90 750	--
Impairment loss on assets	5 797 292	--	2 393 287	--
Prior year losses forward	2 025 387	--	38 925	--
Company's share in subsidiaries's profits	--	5 601 231	--	5 546 978
Total deferred tax assets / liabilities	9 698 221	10 587 059	2 522 962	10 309 280
Net deferred tax liabilities		888 838		7 786 318

(B) Deferred tax recognized directly in equity

	31/3/2013	**31/12/2012**
	LE	**LE**
Fair value adjustments *	620 925 533	575 061 152
Changes in fair value of cash flow hedges	(6 612 597)	(6 612 597)
	614 312 936	568 448 555

* Deferred tax liabilities arising from the assets acquired and liabilities assumed as a result of the acquisition of the subsidiary Credit Libanais Bank – (note no. 1-3).

20- Other income

Other income presented in the income statement includes LE 3 127 500 represents provision reversed.

21- Other provisions

		31/3/2013	**31/12/2012**
		LE	**LE**
Expected claims provision	(21-1)	257 947 083	233 877 194
Servance pay provision	(21-1)	147 902 788	104 021 396
Other provisions		1 274 000	932 400
Balance		407 123 871	338 830 990

21-1

	Expected claims Provision	Severance pay provision	Total
	LE	LE	LE
Balance at the beginning of the period	233 877 194	104 021 396	337 898 590
Transferred from liabilities held for sale.	13 733 761	37 963 549	51 697 310
Formed during the period	12 168 049	3 040 056	15 208 105
Provision reversed	33 600	(2 626 804)	(2 593 204)
Foreign currency differences	1 632 349	10 676 313	12 308 662
Amounts used during the period	(3 497 870)	(5 171 722)	(8 669 592)
Balance at the end of the period	257 947 083	147 902 788	405 849 871

22- Share capital

- The company's authorized capital amounts LE 3 200 million and issued and paid in capital amounts LE 1 913 570 000 distributed on 382 714 000 shares of par value LE 5 per share.
- The company's Extraordinary General Assembly approved in its session held on June 13, 2011 to increase the company's share capital from LE 1 913 570 000 to LE 2 391 473 750 with an increase amount of LE 477 903 750 through distributing of 95 580 750 stock dividend at one share to each four shares outstanding at the declaration date , this increase are financed from retained earnings according to the decision of the company's Ordinary General Assembly in its session held at the same date and the required procedures had been taken and this increase have been registered in the Commercial Register on September 6, 2011.

22-1 Treasury shares

The company's board of directors approved in its session held on April 27,2011 to purchase a number of 5 million shares of the company's shares and the company has purchased a number of 391 000 shares from Egyptian Stock Exchange Market at cost of LE 6 918 613, the actions are in process for execution of those shares.

23- Non - Controlling interests

	31/3/2013	31/12/2012
	LE	LE
Share capital	448 912 489	450 790 962
Legal reserve	127 255 043	127 049 733
Other reserves	677 773 813	563 475 870
Retained earnings	269 330 019	123 777 605
Other equity	85 142 650	78 913 800
Increase in fair value of net assets	1 270 945 036	1 175 798 705
Net profit for the period / year	57 070 660	151 559 875
Balance	2 936 429 710	2 671 366 550

24- Contingent liabilities

- The company guarantees its subsidiaries – Financial Brokerage Group and Hermes Securities Brokerage – against the credit facilities granted from banks and EFG- Hermes Brokerage – UAE against the credit facilities granted from banks amounting to AED 153 670 000 (equivalent to LE 287 439 735).
- The company and its subsidiaries have the following off-balance sheet assets and liabilities :

  Off-balance sheet items :

	31/3/2013 LE	31/12/2012 LE
Financing commitments given to financial institutions	1 058 643 950	778 621 200
Commitments to customers	1 827 707 700	1 434 006 000
Guarantees given to customers	993 770 050	810 339 600
Restricted and non – restricted fiduciary accounts	55 155 100	51 702 000
Commitments of signature received from financial intermediaries	106 897 700	73 155 600
Securities' commitments	580 570 900	484 734 600
Other commitments received	32 387 650 750	29 514 294 600
Assets under management	28 185 307 850	27 792 973 200

25 Incentive fee revenue

Due to inadequate assurance concerning the revenue recognition conditions and collection of the incentive fee on managing investment funds and portfolios, the assets management companies (subsidiaries) deferred the recognition of incentive fee with an amount of LE 8 544 819 till March 31, 2013 versus an amount of 15 643 333 till March 31, 2012 as no revenues are recognized if there are any uncertainties regarding the recovery of the consideration due.

Subsidiary's name	For the period ended 31/3/2013 LE	 31/3/2012 LE
Egyptian Portfolio Management Group	85 273	6 273 381
Hermes Fund Management	--	8 758 658
EFG- Hermes Financial Management (Egypt) Ltd.	8 459 546	611 294
Total	8 544 819	15 643 333

26- Impairment loss on assets

	For the period ended	
	31/3/2013	31/3/2012
	LE	LE
Impairment loss on accounts receivables & debit accounts	159 722	--
Impairment loss on available –for– sale investments	18 000	--
Total	177 722	--

27- Income tax expense

	For the period ended	
	31/3/2013	31/3/2012
	LE	LE
Current income tax	(16 948 109)	(17 539 017)
Deferred tax	(962 819)	1 536 825
Total	(17 910 928)	(16 002 192)

28- Cash and cash equivalents

For the purpose of preparing the statement of cash flows, cash and cash equivalents are represented in the following :

	31/3/2013	31/12/2012
	LE	LE
Cash and due from banks	15 737 024 020	14 471 516 453
Due to banks and financial institutions	(895 719 592)	(579 512 696)
Less: Assets – maturity more than three months	(6 760 748 440)	(5 910 063 600)
Effect of exchange rate	--	58 837 032
Cash and cash equivalents	8 080 555 988	8 040 777 189

29- General administrative expenses

	For the period ended	
	31/3/2013	31/3/2012
	LE	LE
Wages , salaries and similar items	237 036 549	189 585 400
Consultancy	18 017 697	15 822 025
Travel , accommodation and transportation	9 293 556	8 745 148
Other expenses	91 765 049	85 682 189
Total	356 112 851	299 834 762

30- Earnings per share

	For the period ended	
	31/3/2013	31/3/2012
	LE	LE
Net profit for the period	98 038 777	77 016 622
Net profit for equity holders of the parent company	40 968 117	34 909 878
Weighted average number of shares	477 903 750	477 903 750
Earnings per share	0.09	0.07

31- Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segment, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined on an arm's length basis.

Segment results, assets and liabilities include items directly attributable to a segment. The revenue & expense and assets & liabilities analyses in the table below are based on the type of business activities and services that are distinguishable component.

For the period ended March 31, 2013

	Investment banking LE	Commercial banking LE	Elimination LE	Total LE
Fee and commission income	117 629 244	152 887 500	--	270 516 744
Fee and commission expense	--	(93 645 000)	--	(93 645 000)
Net fee and commission income	117 629 244	59 242 500	--	176 871 744
Securities gains	10 921 135	2 371 500	--	13 292 635
Share of profit of associate	--	1 539 000	--	1 539 000
Changes in the investments at fair value through profit and loss	(3 568 554)	17 293 500	--	13 724 946
Foreign currencies differences	62 944 877	--	--	62 944 877
Other income	8 228 706	3 240 000	--	11 468 706
Noninterest revenue	196 155 408	83 686 500	--	279 841 908
Interest and dividends income	5 699 237	721 714 500	10 048 366	737 462 103
Interest expense	(3 047 084)	(496 615 500)	111 717	(499 550 867)
Net interest income	2 652 153	225 099 000	10 160 083	237 911 236
Total net revenue	198 807 561	308 785 500	10 160 083	517 753 144
Total noninterest expenses	(215 816 834)	(183 262 500)	(2 724 105)	(401 803 439)
Net (loss) profit before income tax	(17 009 273)	125 523 000	7 435 978	115 949 705
Income tax expense	(1 092 108)	(15 709 500)	(1 109 320)	(17 910 928)
Net (loss) profit for the period	(18 101 381)	109 813 500	6 326 658	98 038 777
Total assets	9 751 767 530	54 383 333 550	953 799 033	65 088 900 113
Total liabilities	1 633 180 027	50 566 384 050	730 541 218	52 930 105 295
Shareholders' equity	8 118 587 503	3 816 949 500	223 257 815	12 158 794 818
Total equity and liabilities	9 751 767 530	54 383 333 550	953 799 033	65 088 900 113

For the period ended March 31, 2012

	Investment banking	Commercial banking	Elimination	Total
	LE	LE	LE	LE
Fee and commission income	120 338 795	138 704 000	--	259 042 795
Fee and commission expense	--	(90 484 000)	--	(90 484 000)
Net fee and commission income	120 338 795	48 220 000	--	168 558 795
Securities gains	11 180 082	10 912 000	--	22 092 082
Share of profit of associate	--	1 560 000	--	1 560 000
Changes in the investments at fair value through profit and loss	20 548 865	9 204 000	--	29 752 865
Foreign currencies differences	3 390 587	--	--	3 390 587
Gains on selling of investment property	8 886 173	--	--	8 886 173
Other income	(1 216 408)	10 560 000	--	9 343 592
Noninterest revenue	163 128 094	80 456 000	--	243 584 094
Interest and dividends income	7 644 785	604 804 000	(6 059 931)	606 388 854
Interest expense	(8 713 284)	(410 480 000)	--	(419 193 284)
Net interest income	(1 068 499)	194 324 000	(6 059 931)	187 195 570
Total net revenue	162 059 595	274 780 000	(6 059 931)	430 779 664
Total noninterest expenses	(184 752 109)	(150 572 000)	(2 436 741)	(337 760 850)
Net profit before income tax	(22 692 514)	124 208 000	(8 496 672)	93 018 814
Income tax expense	(3 420 693)	(13 856 000)	1 274 501	(16 002 192)
Net (loss) profit	(26 113 207)	110 352 000	(7 222 171)	77 016 622
Total assets	9 210 665 648	43 742 740 000	599 816 214	53 553 221 862
Total liabilities	1 194 331 102	40 678 284 000	754 631 007	42 627 246 109
Shareholders' equity	8 016 334 546	3 064 456 000	(154 814 793)	10 925 975 753
Total equity and liabilities	9 210 665 648	43 742 740 000	599 816 214	53 553 221 862

32- Tax status

- As to Income Tax, the years from starting the operations to 31/12/2010 the competent tax inspectorate inspected the parent company's books and all the disputed points have been settled with the Internal Committee and as to years 2011 / 2012, according to tax form of tax law no. 91 of 2005 the company has submitted the tax return and paid the tax due.
- As to Salaries Tax, the parent company's books had been examined till 2008 and all the disputed points have been settled with the Internal Committee and the due amount has been paid and as to years 2009 / 2012, the parent company's books have not been inspected yet.

- As to Stamp Tax, the parent company's books had been examined from 1998 till 31/7/2006 and paid the due tax according to the resolution of Appeal Committee which was objected thereon in the courts, and the period from 1/8/2006 till 31/12/2012 have not been inspected yet.
- On December 6, 2012, several resolutions of laws on amending certain provisions of the Tax Laws has been issued and published in the Official Gazette on the that date, provided that such resolutions shall come into force from the date following the date of publication. And such amendments are:
  - Amending the provisions of the Income tax Law No. 91 of 2005.
  - Amending the provisions of the General Sales tax Law No. 11 of 1991.
  - Amending the provisions of the Real Estate tax Law No. 196 of 2008.
  - Amending the provisions of the Stamp Duty Law No. 111 of 1980.

  Later statements have been issued by certain officials in respect of freezing the enforcement of such resolutions, therefore the management did not affect the financial statements with these amendments. when reliable information become available on the enforcement of such resolutions and the effective date therefore, these amendments might affect the taxes bases, the related assets and liabilities, the results of operations during the period.

33- Group's entities

The parent company owns the following subsidiaries:

	Direct ownership %	Indirect ownership %
Financial Brokerage Group	99.88	0.04
Egyptian Fund Management Group	88.51	11.49
Egyptian Portfolio Management Group	66.33	33.67
Hermes Securities Brokerage	97.58	2.42
Hermes Fund Management	89.95	10.05
Hermes Corporate Finance	99.37	0.53
EFG - Hermes Advisory Inc.	100	--
EFG- Hermes Financial Management (Egypt) Ltd.	100	--
EFG – Hermes Promoting & Underwriting	99.88	--
Bayonne Enterprises Ltd.	100	--
EFG- Hermes Fixed Income	99	1
EFG- Hermes Management	96.3	3.7
EFG- Hermes Private Equity	1.59	63.41
EFG- Hermes Brokerage – UAE Ltd.	--	90
Flemming CIIC Holding	100	--
Flemming Mansour Securities	--	99.33

	Direct ownership %	Indirect ownership %
Flemming CIIC Securities	--	96
Flemming CIIC Corporate Finance	--	74.92
EFG- Hermes UAE Ltd.	100	--
EFG- Hermes Holding - Lebanon	99	--
EFG- Hermes KSA	73.1	26.9
October Property Development Ltd.	94.14	--
EFG- Hermes Lebanon	99	0.97
Mena Opportunities Management Limited	--	95
EFG- Hermes Mena (Caymen) Holding	--	100
Mena (BVI) Holding Ltd.	--	95
EFG – Hermes Mena Securities Ltd.	--	100
Mena Financial Investments W.L.L	--	100
EFG – Hermes Qatar LLC	40	--
EFG- Hermes Oman LLC	--	51
EFG- Hermes Regional Investment Ltd.	100	--
Offset Holding KSC	--	50
EFG- Hermes IFA Financial Brokerage	--	45
IDEAVELOPERS	--	52
EFG- Hermes CB Holding Limited	--	100
EFG- Hermes Global CB Holding Limited.	100	--
EFG – Hermes Orient Advisory Inc.	--	70
EFG – Hermes Syria LLC	49	20.37
Sindyan Syria LLC	97	--
Talas & Co. LLP	--	97
EFG – Hermes Jordan	100	--
Mena Long-Term Value Feeder Holdings Ltd	--	100
Mena Long-Term Value Master Holdings Ltd	--	90
Mena Long-Term Value Management Ltd	--	90
EFG – Hermes CL Holding SAL	--	100
Credit Libanais SAL "the Bank"	--	63.739
Credit Libanais Investment Bank SAL	--	63.65
Lebanese Islamic Bank SAL	--	63.64
Credit International SA	--	59.16
Cedar's Real Estate SAL	--	63.69
Soft Management SAL	--	29.96
Hermes Tourism & Travel SAL	--	63.73
Crédit Libanais d'Assuranceset de Réassurances SAL	--	42.69
Business Development Center SARL	--	62.86

	Direct ownership	Indirect ownership
	%	%
Capital Real Estate SAL	--	62.46
Credilease SAL	--	63.27
Collect SAL	--	28.64
EFG – Hermes Investment Funds Co.	99.998	--
Mena FI Cayman Ltd.	--	100
EFG – Hermes Mena FI Management Limited.	--	100
Fixed Income Investment Limited.	--	100
Meda Access Cayman Holdings Limited .	--	100
EFG-Hermes Securitization Company	100	--
Financial Group for Real Estate Co.	99.992	--
EFG- Hermes Mutual Funds Co.	100	--

34- Financial instruments and management of related risks:

The Company's financial instruments are represented in the financial assets and liabilities. Financial assets include cash balances with banks, investments and debtors while financial liabilities include loans and creditors. Note (no. 2) of notes to financial statements includes significant accounting policies applied regarding basis of recognition and measurement of the important financial instruments and related revenues and expenses by the company to minimize the consequences of such risks.

34-1 Market risk:

Market risk is defined as the potential loss in both on and off balance sheet positions resulting from movements in market risk factors such as foreign exchange rates, interest rates, and equity prices.

Market risk is represented in the factors which affect values, earnings and profits of all securities negotiated in stock exchange or affect the value, earning and profit of a particular security.

According to the company's investment policy, the following procedures are undertaken to reduce the effect of this risk.

- Performing the necessary studies before investment decision in order to verify that investment is made in potential securities.
- Diversification of investments in different sectors and industries.
- Performing continuous studies required to follow up the company's investments and their development.

34-2 Foreign currencies risk

- The foreign currencies exchange risk represents the risk of fluctuation in exchange rates, which in turn affects the company's cash inflows and outflows as well as the value of its assets and liabilities in foreign currencies.

- As disclosed in note (3-2) the company has used the prevailing exchange rates to revaluate monetary assets and liabilities at the balance sheet date.

34-3 Risk management

In the ordinary course of business, the group is exposed to a variety of risks, the most important of which are liquidity risk, interest rate risk, currency risk, credit risk and market risk. These risks are identified, measured and monitored through various control mechanisms in order to price facilities and products on a risk adjusted basis and to prevent undue risk concentrations.

The independent risk control process does not include business risks such as changes in the environment, technology and industry. They are monitored through the Group's strategic planning process.

34-4 Credit risk

Credit risk is the risk of a person or an organization defaulting in the repayment of their obligations to the Group in respect of the terms and conditions of the credit facilities granted to them by the Group. The management minimizes this risk by spreading its loan portfolio over all economic sectors and by adopting appropriate procedures and controls to evaluate the quality of the credit facilities granted and the creditworthiness of the borrowers. The credit risk of connected accounts is monitored on a united basis. In addition, the effective credit appraisal procedure for examining applications for credit facilities followed by the Group, adopts as the main criteria the repayment capability and obtaining sufficient collateral. The continuous monitoring of credit accounts and the timely preventive action further minimize, to a large extent, the exposure to credit risk. Note 7 of this report shows the distribution of loan portfolio by nature of facility, by economic sector.

34-5 Liquidity risk

Liquidity risk is the risk that the Group will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management has arranged diversified funding sources in addition to its core deposit base, manages assets with liquidity in mind and monitors future cash flows and liquidity on daily basis. This incorporates an assessment of expected cash flows and the availability of high grade collateral which could be used to secure additional funding if required.

The Group maintains a portfolio of high marketable and diverse assets that can be easily liquidated in the event of an unforeseen interpretation of cash flow. In addition, the Group maintains statutory deposits with the Central Banks.

The liquidity position is assessed and managed under a variety of scenarios, giving due consideration to stress factors relating to both the market in general and to the Group in specific. The Group maintains a solid ratio of high liquid net assets in foreign currencies to deposits and commitments in foreign currencies taking markets conditions into consideration.

34-6 Interest rate risk

Interest rate risk stems from the sensitivity of earnings to future movements in interest rates applied on assets and liabilities.

The Group's management closely monitors interest rate fluctuations on a continuous basis and ensures that assets and liabilities are matched and re-priced in a timely manner. The Group is exposed to interest rate risk as a result of mismatches or gaps in the amounts of assets and liabilities that mature or are re-priced in a given period. The most important source of interest rate risk derives from the lending, funding and investing activities, where fluctuations in interest rates are reflected in interest margins and earnings.

34-7 Equity price risk

Equity price risk is the risk that the value of a portfolio will fall as a result of change in stock prices. Risk factors underlying this type of market risk are a whole range of various equity (and index) prices corresponding to different markets (and currencies/maturities), in which the Group holds equity-related positions.

The Group sets tight limits on equity exposures and the types of equity instruments that traders are allowed to take positions in. Nevertheless, depending on the complexity of financial instruments, equity risk is measured in first cash terms, such as the market value of a stock/index position, and also in price sensitivities, such as sensitivity of the value of a portfolio to changes in the underlying asset price. These measures are applied to an individual position and/or a portfolio of equity products.

34-8 Operational risk

Operational risk is the risk of direct or indirect loss due to an event or action causing failure of technology, process infrastructure, personnel, and other risks having an operational risk impact. The Group seeks to minimize actual or potential losses from operational risk failure through a framework of policies and procedures that identify, assess, control, manage, and report those risks. Controls include effective segregation of duties, access, authorization and reconciliation procedures, staff education and assessment processes.

34-9 Fair value of financial instruments

The fair value of the financial instruments do not substantially deviated from their book value at the balance sheet date. According to the valuation basis applied, in accounting policies to the assets and liabilities

34-10 Derivative financial instruments and hedge accounting

- Derivatives are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value, according to the valuation basis applied, in accounting policies to derivative financial instruments, (note no. 3-4).
- In accordance with an arrangement between the subsidiary, EFG Hermes MENA Securities Limited Co. and its customers ("the customers"), the Company from time to time enters into fully paid Shares Swap Transaction Contracts ("the Contracts") with the customers. Under the Contracts the customers pay to the Company a pre-determined price, which is essentially the market price at the trade date, in respect of certain reference securities. In return for such shares swap transactions the Company pays to the customers the mark to market price of the reference securities at a pre-determined date (normally after one year). However, the Contracts can be terminated at any time by either of the parties, which shall be the affected party.

  In order to hedge the price risks with respect to the reference securities under the Contracts, the Company enters into back-to-back fully paid Share Swap Transaction Contracts with other subsidiaries, MENA Financial Investments W.L.L. ("MENA-F") and EFG-Hermes KSA.

  Accordingly, the Shares Swap Transactions are measured at fair value based on underlying reference securities under the Contracts.